



County of Los Angeles
CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 5, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

CALWORKS SUBSTANCE ABUSE ALLOCATION

On May 7, 2008, your Board requested that my office provide a report, with a corrective action plan, addressing the Department of Public Social Services' (DPSS) proposed elimination of \$5.0 million for California Work Opportunities and Responsibility to Kids (CalWORKs) Substance Abuse (SA) outreach services provided by the Department of Public Health (DPH) to DPSS. These funds are currently used by DPH for outreach services provided to DPSS. In addition, your Board requested that we provide an analysis as to whether these outreach services are effective and make a recommendation for your Board's consideration. Furthermore, your Board requested that we address the process used to inform your Board before issues are made public, and whether it is a policy of the Chief Executive Office (CEO) that shifting funds between programs is an Administrative decision that can be made without your Board's approval.

BACKGROUND

During the preparation of the 2008-09 Proposed Budget, DPSS made a determination that there was insufficient funds from the State to maintain all of the CalWORKs services at their current levels. On January 17, 2008, DPSS having internally completed the prioritization and assessment of their programs, sent letters to all of the departments that render services to DPSS. The letter to DPH reflected a decrease in funding from \$17.9 million to \$12.9 million; a reduction of \$5.0 million, and referenced CalWORKs Specialized Supportive Services (SSS) DPH-SA (Attachment I).

DPSS' intention was to decrease the SA funding allocated to DPH by \$5.0 million and use this to fund \$2.2 million of mental health services provided by the Department of Mental Health (DMH) for the Homeless CalWORKs families project that is currently funded with CalWORKs single allocation funding, thereby freeing up the single allocation funding for other uses. The remaining \$2.8 million of funding made available by this reduction would have been transferred to DMH to fund an enhancement to CalWORKs mental health services, primarily through implementation of an intensive services demonstration project as recommended in a recent research report by the California Institute of Mental Health regarding CalWORKs mental health services in the County. Given that this represents a shift of funding within the single allocation and SA/DMH allocations, this change would not result in a noticeable change in the Department's 2008-09 budget request.

DPSS subsequently informed DPH that the \$5.0 million reduction was to come from outreach for the CalWORKs SA program which was being cut from \$6.0 million to \$1.0 million. DPH requested DPSS to reconsider the reduction and/or consider alternatives to the cut. The CEO was not part of these conversations. When DPH submitted its 2008-09 budget to the CEO, the \$5.0 million reduction was not included as DPH determined that the matter was in negotiation with DPSS. After DPSS informed DPH that the reduction was going ahead, DPH initiated actions, including provider notifications, to reduce provider allocations in a forthcoming contract renewal package comprised of multiple funding streams that was being developed for Board action prior to July 1, 2008.

During the Proposed Budget process, DPSS' initial budget request included the \$5.0 million reduction to DPH; however, the CEO set aside DPSS' initial budget request and worked with the department to develop a new request. This new request did not include the \$5.0 million reduction to DPH. Therefore, the Proposed Budget for DPSS also does not reflect the \$5.0 million reduction. Consequently, although DPH program staff was aware of the proposed change and conveyed this to the service providers, no budgetary change was made to the DPSS, DPH, or DMH 2008-09 Proposed Budgets.

On April 9, 2008, DPH sent a memo to the Board's health deputies informing them of the proposed \$5.0 million reduction resulting in "eliminating funding for outreach" and "significant contract reductions to orientation and treatment services". The CEO was not copied on this memo (see Attachment I II).

Your offices began receiving letters of concern about the reduction of SA outreach services, and on May 1, 2008, DPSS contacted the CEO to discuss the emerging issue. It was soon determined that a meeting was needed; and on May 6, 2008, the CEO met with DPSS, DPH, DMH, and deputies from each of your offices.

At the conclusion of the meeting, all parties agreed that DPSS, DPH, and DMH will evaluate the effectiveness of DPHs' services and the effect the proposed changes would have on clients. DPSS' priorities will be taken into consideration and recommendations will be presented in a briefing to the deputies before any further actions are recommended.

PROPOSED PLAN

Currently, DPSS provides funds to DPH for CalWORKs SA outreach services. This outreach is conducted in DPSS eligibility offices and in the broader community, and consists of sharing information regarding available CalWORKs SA treatment services and case management services to elicit, engage, and retain persons in treatment. Agencies under contract with DPH provide these services.

DPSS has concerns that this outreach has not proven to be effective in achieving its purpose of engaging CalWORKs participants in SA treatment. An average of 459 CalWORKs participants receive SA treatment services per month. These are not unique individuals as treatment can take more than one month, and those in treatment may be receiving case management services. To date, DPH has been unable to quantify how many of these participants come to the program through the outreach services.

Since your Board's discussion of this issue on May 7, 2008, the CEO has convened two meetings with DPSS, DPH, and DMH. At the meetings, DPSS, DPH, and DMH outlined differences in how the program currently works and made suggestions to improve the program. One suggested improvement was to develop an outreach approach that better focused resources on CalWORKs clients engaged in welfare-to-work. The departments are working on details of this new approach with the target date for submission of a plan to your Board in September 2008 as part of the supplemental changes phase of the budget process, with a proposed implementation date of January 2009. In the interim, the status quo will be maintained for CalWORKs mental health and SA services through December 2008, except to the extent that there are changes in the level of State funding for CalWORKs mental health and/or SA services in Fiscal Year (FY) 2008-09.

Another service reform approach developed was an 18-month demonstration project from January 2009 through June 2010 that would provide: (1) intensive, short-term mental health services for CalWORKs participants; and (2) coordinated mental health and substance abuse treatment for CalWORKs participants with co-occurring mental health and substance abuse disorders.

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The proposed funding source for the demonstration project is \$2.5 million from the CalWORKs SA/DMH allocation in FY 2008-09 (for the first six months of the demonstration project) and \$5.0 million from the CalWORKs SA/DMH allocation in FY 2009-10 (for a full 12 months of the demonstration project). A portion of this funding will remain with DPH and the remainder will be transferred to DMH.

The proposed funding for the demonstration project will come from a reduction in funding for CalWORKs SA outreach that has not proven to be effective in engaging CalWORKs participants in SA treatment which is the purpose of that outreach. Instead, a portion of this funding will be used to identify CalWORKs participants receiving mental health services who also need SA treatment, and this targeted outreach is anticipated to be more successful in engaging CalWORKs participants in SA treatment. To the extent possible, providers currently receiving funding for CalWORKs SA outreach will be used to provide services through the demonstration project.

No action will be taken to implement this proposed demonstration project without prior approval from your Board.

DPSS will maintain funding in FY 2008-09 for mental health services currently funded out of the single allocation without transferring funding for that purpose from the CalWORKs SA/DMH allocation; however, DPSS continues to project that the FY 2008-09 CalWORKs single allocation will be insufficient to sustain all current CalWORKs services and expenditures at their current level. Therefore, by August 2008, DPSS, the CEO, and the Board deputies will complete a comprehensive review of all CalWORKs single allocation services and expenditures. Based on that review, any necessary curtailments will be recommended to your Board for approval in September 2008, during the supplemental changes phase of the budget process.

BOARD NOTIFICATION

In analyzing this issue, it has become clear that there were multiple instances where the programmatic and financial issues related to this matter were not adequately elevated to the Board. DPSS and DPH did not adequately flag this matter in the budget process and did not present the issues as a matter of program and policy change.

Please note that there was no intent to intentionally withhold information from the Board. The corrective actions listed below will ensure that programmatic changes are transparent, whether or not there is a budgetary impact. They will also ensure that information is conveyed from budget staff, to program staff, to executive management, to the CEO, and to the Board. These actions will also ensure that future proposed

changes will not be made public before being brought to the Board's attention for your consideration.

CORRECTIVE ACTIONS

The CEO will amend the budget instructions to County departments to include revised forms for services rendered and received. These forms will incorporate columns for the prior budgeted amount, the new budget request, and the variance. There will be fields to explain each variance, including the impact of the change on programs and services. The budget instructions will also be amended to instruct County departments that all contract, program changes, and funding redirections must be expressed to the CEO with subsequent Board notification.

DPSS will ensure that all proposed curtailments will include service impacts. The CEO will be engaged in the early stages when the budget is being developed. Supplemental documentation will highlight proposed changes, and the department's budget walk-through will show service impacts even if the net budget change is zero. DPSS will meet with the CEO and departments affected by any budget changes to discuss the proposals and to assess impacts that DPSS might not be aware of. DPSS will work with the CEO to discuss proposed program changes with the Board and provide the Board with service impact assessments. In addition, DPSS will provide an itemization of the department's CalWORKs single allocation, as part of the budget process.

DPH will ensure that program funding changes are communicated between finance and program staff, including analysis to determine the programmatic impact of budgetary changes. DPH will then notify the CEO and this notification will include the impact of the changes. DPH finance staff will work with CEO budget staff to ensure the funding impact is reflected in the budget properly. DPH will ensure that program changes are communicated to executive management and an impact statement will be submitted to the CEO and the Board. Program changes will not be shared with providers or the public until the Board has been informed and has had the opportunity to provide input.

CEO ADMINISTRATIVE POLICY

Finally, your Board asked that we address whether it is the CEO's policy that shifting funds between programs is an Administrative decision that can be made without Board approval. To the contrary, it is the CEO's policy that all proposed programmatic changes is brought to the Board for consideration. The corrective actions listed in this document will reinforce this policy by requiring that all changes in services rendered, or received, be accompanied by impact statements which will be conveyed to your Board.

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It is our mission to develop recommendations on fiscal policy for your Board's consideration; and through the corrective actions, we intend to strengthen this objective.

CONCLUSION

The corrective actions identified in this document will ensure that in the future, programmatic impacts are properly identified and conveyed to the Board in a timely manner.

To address the current issue, we are recommending that there be no allocation changes to DPH service providers before January 1, 2009. In the interim, we are assessing current services and evaluating potential uses of the available funding that would best serve our clients. To the extent possible, we will recommend that the current service providers be considered for the newly restructured services. We will return to your Board with our complete recommendations in September 2008.

If you have any questions please contact me, or your staff may contact Miguel Santana at (213) 974-4530 or Sheila Shima at (213) 974-1160.

Sincerely,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:MS:GP
JB:ljp

c: Executive Officer, Board of Supervisors
Director, Department of Public Social Services
Director, Department of Public Health
Director, Department of Mental Health